



WEEKLY ECONOMIC DIGEST



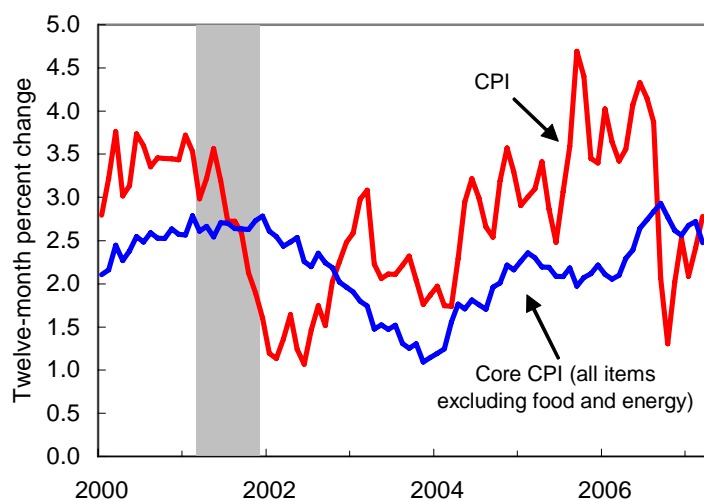
JOINT ECONOMIC COMMITTEE

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April 20, 2007

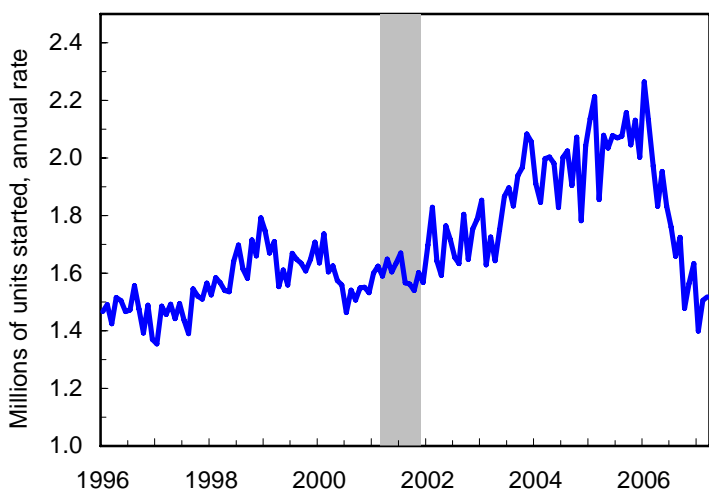
Rising Fuel Prices Boost Inflation and Retail Sales in March

Consumer Price Indexes



Sources: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

New Residential Construction



Sources: Census Bureau, U.S. Department of Commerce and National Bureau of Economic Research.

Note: The gray areas indicate a period of recession as defined by the National Bureau of Economic Research.

- **Rising energy prices spurred overall inflation in March, but underlying inflation calmed.** The consumer price index (CPI) rose by 0.6 percent last month, following a 0.4 rise in February. Energy prices rose by 5.9 percent in March, the largest increase in 18 months. However, the core CPI (which excludes the volatile food and energy prices) rose by only 0.1 percent last month, following a 0.2 percent rise in February. Over the past 12 months, the CPI has risen by 2.8 percent, and the core CPI is up 2.5 percent (see top chart).

- **Higher gasoline sales propelled total retail sales last month.** Total sales at retail establishments and food services rose by 0.7 percent in March, following a gain of 0.5 percent in the previous month. Sales of gasoline increased by 3.1 percent last month; that rise alone accounted for nearly half (0.3 percentage point) of the growth of total sales. Overall sales have risen by 3.8 percent over the past 12 months. That is below the 5.6 percent growth in sales over the course of 2006.

- **Industrial production edged down in March.** Industrial production in manufacturing, mining, and utilities declined by 0.2 percent last month. That decline reflected a 7.0 percent drop in utility output in March which partly offset a weather-related rise of 7.6 percent in February. While manufacturing output grew by 0.7 percent last month, it remains only 2.6 percent above the level a year ago. That is below the average 12-month pace of recent years.

- **New homebuilding rose again last month, but activity remains weak.** New construction of privately owned housing increased by 0.8 percent last month to 1.518 million units at an annual rate (see bottom chart). That gain follows a 7.6 percent gain in February, but new homebuilding remains 7.0 percent below its December level, and 23.0 percent below the level of last March.

The Economy at a Glance	Mar	Feb	Jan	Dec	2007 Qtr 1	2006 Qtr 4	2006 Qtr 3	2006 Qtr 2	2006	2005
Economic Activity										
Real GDP (% growth)*	—	—	—	—	n.a.	2.5	2.0	2.6	3.3	3.2
Industrial Production (% growth)	-2.4	10.0	-4.7	7.4	1.4	-1.5	4.0	6.5	3.9	3.2
Capacity Utilization (level, %)	81.4	81.6	81.1	81.6	81.4	81.5	82.3	82.0	81.7	80.2
Civilian Unemployment Rate (level, %)	4.4	4.5	4.6	4.5	4.5	4.5	4.7	4.7	4.6	5.1
Housing Starts (thousands)	1518	1506	1399	1633	1474	1559	1714	1873	1817	2073
Real Disposable Personal Income (% growth)*	n.a.	1.7	7.1	1.8	n.a.	5.3	3.2	-1.5	2.6	1.2
Retail Sales (% growth)	8.4	6.2	-0.4	14.4	5.7	0.9	3.6	2.6	6.2	6.6
Personal Saving Rate (level, %)*	n.a.	-1.2	-1.2	-1.4	n.a.	-1.2	-1.4	-1.4	-1.1	-0.4
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	7.4	4.9	2.4	4.9	3.8	-2.1	3.1	5.0	3.2	3.4
Core CPI-U Inflation (% growth)	1.2	2.4	3.7	1.2	2.3	1.9	3.0	3.3	2.5	2.2
Compensation per hour (% growth)*	—	—	—	—	n.a.	3.2	4.1	3.6	3.1	3.3
Output per hour (% growth)	—	—	—	—	n.a.	1.6	-0.5	1.2	1.6	2.1
Financial Markets										
T-bill Rate, 3-month (level, %)	4.94	5.03	4.98	4.85	4.98	4.90	4.91	4.70	4.73	3.15
T-note Rate, 10-years (level, %)	4.56	4.72	4.76	4.56	4.68	4.63	4.90	5.07	4.80	4.29
Federal Funds Rate (level, %)	5.26	5.26	5.25	5.24	5.26	5.25	5.25	4.91	4.97	3.22
Dow Jones Industrial Avg (index level)	12269	12631	12513	12378	12471	12175	11274	11189	11409	10548

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

*Subject to revision over the next week.

Upcoming Economic Releases:

- **Existing Home Sales: March 2007** [Release: Tuesday, April 24]
- **Advance Report on Durable Goods Manufacturers' Shipments, Inventories and Orders: March 2007** [Release: Wednesday, April 25]
- **New Residential Sales: March 2007** [Release: Wednesday, April 25]
- **Gross Domestic Product: First Quarter 2007 (Advance)** [Release: Friday, April 27]
- **Employment Cost Index: March 2007** [Release: Friday, April 27]